I. In a tough environment, the network and stations will finish the year at about breakeven.

- Local stations: Selling into a sluggish local economy (some big accounts stopped spending). EBITDA of about $500k, roughly matching our annual cash interest expense.
- Network: All sports-format networks lost revenue share to political talk networks; we are headed for small profit
- Through tight cost management (and last year's positive cash flow), cash position healthy.

II. Despite the lackluster outcome, some investments/changes have positioned us for a better 2017

1. Stations:
   - Best GM of local business in place
   - Investment: Has built our largest and strongest local sales team.
   - Investment: Increased local shows on 97.5 – ratings climbing/stronger than ever
   - 1560 AM making contribution to overhead. Upside: Potential network hire of Palillo.
2. Network:
   - SB Nation brand has been well received by affiliates/advertisers.
   - Brand transition provided "air-cover" to lower cost structure (Rodgers, Czaban, Morales gone).
   - Network TV show on BeInSports (47 million homes) appears close.
   - Profits were on track with last year (about $250k), until rep. firm debacle (backed out of guaranty) – to be fixed imminently

III. Thus, we can stay the course, and capitalize on the foundation above. But we still have some underlying strategic challenges.

1. Scale:
   - Local: we are still 2-stations vs. 6-stations clusters (CBS and Clear Channel).
   - Network: Our standalone network competes against Westwood One (with NFL Play by Play, CBS Sports Radio, general talk, etc.), Premiere (Fox Sports Radio and general talk). These companies capturing both cost and sales economies of scale.
   - Has been a struggle to attain "virtuous cycle" of scale/growth: Increase in audience reach yields more revenue to invest in better talent to increase audience reach for increased revenue for better talent, etc.

2. Radio Decline/Shift to Digital:
   - Future values on radio stations unclear (not many transactions these days), would be hard to recommend buying another station for scale, even if one were available
   - Though total radio listenership has declined only marginally, advertisers migrating to digital (easier-to-track-results, visual representation for items like cars, etc.).
   - Our digital growing, but just incrementally (still just about 10% of audience/revenue)

3. Other Deals:
    - NBC deal very possible, but their affiliate base is small, will not yield much growth.

4. Our position sometimes feels "like Vietnam"
    - We "survive, but do not thrive"
    - Work hard for gains, but then lose ground.
    - Long road for investors.

IV. Thus, would like to consider acquiring CultureMap for (primarily) stock.

1. CultureMap.com (CM)
    - A pure-play web/digital media company with a focus on lifestyle content;
    - Centralized infrastructure, localized sites – in 5 major markets of Texas;
    - Highly scalable digital business. At $3.0M annual sales, currently about breakeven, but growth inhibited by lack of capital to hire more sellers.

2. Conceptual Deal:
    - First, we combine our network and stations' companies (GowCombo)
    - Then we acquire CM for % of GowCombo
    - We would have to raise about $850k to pay off punitive debt at CM.
    - Newco would have combined total revenues of over $10M

3. Potential Operational Synergies:
    - Accounting/payroll/admin.
    - Content sharing;
    - Cross Promotion;
    - Events (current partnership on Super Bowl looking very positive);
    - Combo sales (e.g, Saltgrass Steakhouse, BBVA Compass, concerts, etc.).

4. Strategic Position:
    - Secures a digital business/footprint (get in front of the growth);
    - Shift: from *local/national sports radio company* to a *regional/national multi-platform media company (*with two content verticals: lifestyle and sports).
    - Expands reach to both males and females (capture more dollars out of existing relationships).
    - Increase focus/Secure a stronghold in Texas: "Win Texas" for SB Nation Radio – a regional foothold. We currently have 40 stations in Tx taking sports updates, and long-form show affiliates in Houston and Austin (limited Dallas). CM would like to roll out to other cities (e.g. Atlanta/Denver), but my bias would be to optimize Texas first.
    - Quietly, efficiently begin SportsMap on their platform (reduces SB Nation brand dependence). Down the road opportunity: Rollout, for example, Sportsmap Austin, in partnership/collaboration with our Austin affiliate, other markets have potential.

5. Looking Ahead:

- Capturing the synergies/honing this business model offers far more upside than status quo.
- More exit opportunities. For example: Vox Media, owner of SB Nation, is chasing similiar strategy nationally. They are a pure digital platform with 4 content verticals (sports, political, fashion, consumer electronics); We could become their lifestyle vertical (already partnered up in sports radio).
- Other Exit Consideration: due to rapid growth, digital media companies valued based on multiple of revenues (some as frothy as 8-10x); In a combo sale we can allocate toward digital, accelerating highest valued growth.
- Public path. Next $2-5M of revenue should efficiently drop to bottom line. At $13-$15M in revenue and $3-4M in cash flow, opportunity to consider public shell, enabling further growth through acquisition/more scale.